THE FCC'S INTERNATIONAL AGENDA: ACCESS, BROADBAND AND COMPETITION

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I would like to thank the International Space Business Council for inviting me to speak here today.

I have been at the FCC's International Bureau for about ten months now, and I am proud to say that we have accomplished a lot -- both prior and subsequent to my arrival -- and we have an ambitious agenda for 2000 and beyond.

The beauty of the International Bureau is that unlike the other "functional" bureaus at the Commission, we work across technologies which, I think, gives us a particularly interesting perspective in this increasingly converged world.

There is no doubt that we are in the midst of a communications and information revolution that is as profound in many respects as was the Industrial Revolution. It is also true that the society that is developing today both at home and abroad is shaped in no small measure by the daily decisions we make at the Commission.

Just as the Telecom Act of 1996 ushered in a new era of competition in the US market, the commitments on basic telecom services agreed to by 70 WTO countries in 1997 – which reflect many of the Telecom Act's basic tenets – ushered in a sea change in the international arena where competition, liberalization and privatization were generally relatively unfamiliar concepts.

Since the achievement in the WTO of telecom commitments, we at the Commission have adopted new rules for market entry that are consistent with the United States' commitments; we have granted entry to a number of foreign-licensed providers based on those new rules; and we have worked with our colleagues around the world to ensure faithful and effective implementation of the Agreement. I believe that the WTO commitments, while imperfect, are working and that we have made huge strides in the two years since they entered into force.

This is evident in the progress we have made, and are continuing to make, in promoting Chairman Kennard's principal goals for his tenure, which can be characterized as A, B, C: ACCESS, BROADBAND and COMPETITION:

I. Access:

Let me start with increased access. Just as the FCC has worked to bring the Internet to classrooms, to bring network access to Americans with disabilities, and to promote universal service at home, we have been equally determined to encourage the growth of a truly global information infrastructure that will provide access to the millions of unserved customers around the world.

One of the Chairman's highest priorities is to promote development of the information infrastructure worldwide. In June of 1999, Chairman William Kennard announced his **development initiative** -- the first such program executed on behalf of developing countries by an FCC Chairman. The Initiative reflects a commitment by the FCC to work with developing nations in Africa, Latin America, Asia and Central Europe toward achieving universal service through implementing the U.S. goals for the WTO: promoting competition, liberalizing markets, and adopting transparent, pro-competitive regulatory policies.

Under the development initiative, the FCC is providing selected developing nations with non-financial technical assistance, including expert training on how to develop and implement pro-competitive, transparent regulatory regimes to support the full integration of developing nations into the global information society.

Lower international calling prices are also essential to increased access.

Although we are just two years into the implementation of the WTO basic telecom commitments and the FCC's August 1997 Benchmarks Order, we have already started to see dramatic declines in international calling rates. The increase globally in liberalization, privatization, and competition has led to significantly lower international accounting rates, which in turn have resulted in lower international calling rates. In 1996, the year just prior to Benchmarks and the WTO, the average price of an international long distance call originating from the United States was 74 cents per minute. It has since fallen to 54 cents/minute – a 25% decrease -- and these rates are steadily declining. By the time the FCC's Benchmarks Order is fully implemented in 2003, we expect to see much deeper reductions in international calling rates. Prices on competitive routes have fallen even more dramatically. For example, rates on the U.S. - UK route are as low as 10 cents/minute.

We have also just marked the first anniversary the International Bureau's electronic filing system, or IBFS. IBFS is a consolidated licensing system used to process all incoming applications; it also allows for electronic filing of most types of applications, resulting in considerable time savings for both the agency and its customers. For example, based on

applications filed electronically in Fiscal Year 99, the time saving associated with satellite earth station licenses was 68%; satellite space stations - 92%; and Section 214 non-streamlined applications - 88%.

We have also **streamlined our earth station licensing processes**. In December 1999, the Commission made it much easier for non-U.S. licensed fixed satellites to obtain authority to serve the U.S. market. This decision enables non-U.S. satellites to be placed on a "Permitted Space Station" list once they have been authorized to provide service in the United States. Before the FCC's action, only U.S.-licensed satellites could be placed on this list. Earth stations with ALSAT licenses are allowed to access any satellite on the "permitted list". This is beneficial to foreign satellite operators, because they can more easily market their services to prospective earth station customers.

Using this new procedure, we have added foreign-licensed satellites operated by Canada's Telesat to this "permitted list", and anticipate that others will be added shortly. We are also continuing to process and grant individual requests by earth station operators to access foreign satellites – most recently, for example, we granted a request to access Eutelsat.

It has also been essential that we **advance FCC interests at the ITU**. IB staff have participated in several important meetings at the International Telecommunications Union (ITU) where issues of concern to the Commission were addressed. Through participation in the ITU reform process, IB staff is encouraging the ITU to become more responsive to industry needs by streamlining its processes and permitting greater input from the private sector.

II. Broadband:

Now let's turn to broadband. We in the International Bureau have been equally concerned with promoting the buildout of the fat broadband pipe. Here's what we've done on that front:

The Commission has authorized more **undersea cable capacity**, an essential conduit of broadband around the globe. Approximately 80% of international traffic originating in the U.S. is carried by undersea cables, increasing capacity and lowering the cost of capacity. As a result, the capacity of undersea cables on the Atlantic route has increased from less than *one million* 64 kbps circuits in 1997 to what is projected to be *over 100 million* 64 kbps circuits in 2001. Moreover, the cost of cable capacity has dropped precipitously. The cost per circuit equivalent has fallen from about $90 million in 1988 to approximately $2 million in 2000. This in turn is likely to put significant downward pressure on the price of international calls and the cost of providing international Internet and other broadband service.

On the satellite side, the Commssion has also **facilitated the deployment of new services,** including those capable of providing rural and broadband services. In March

1999, the Commission proposed rules to license a new generation of mobile satellite service (MSS) at 2 GHz in the United States. We hope that the Commission will act on a final order very soon. The Commission has also proposed rules to facilitate ubiquitous fixed satellite terminals in the Ka band.

Those and other satellite services represent excellent technologies for providing service to rural areas -- a matter of great concern at the FCC and elsewhere. Whether the service is basic telephony or broadband Internet access, satellites have a key role to play in providing service to all Americans and to consumers around the globe.

III. Competition:

Now, we are more than ever convinced that the best way to promote universal access and to deploy broadband is through the big "C"- Competition. Few things we do in the International Bureau are as important as our ongoing effort to ensure **effective implementation of WTO commitments**. We conduct regular dialogues with our regulatory counterparts and focused on all regions of the world, including Africa, Latin America, Europe and Asia. In January, Chairman Kennard held extensive talks with his counterparts in Portugal, Spain and France, and next week he will meet with regulators in Italy.

In addition, IB held talks with regulators from scores of other countries through the International Visitors Program (IVP) and other bilateral fora. The IVP, which offers foreign Delegations an opportunity to interact with FCC staff and share information and perspectives on a wide range of telecommunications issues, hosted over 350 visitors from more than 90 countries.

Of course to effectively promote the WTO abroad, we have had to **lead by example**, and that we have certainly done. In the last year alone, we have **authorized several foreign-licensed systems:**

First, New Skies. In August 1999, the Commission authorized certain U.S. earth stations to provide fixed-satellite services (FSS) to, from, and within the United States via New Skies Satellites, N.V. (New Skies). New Skies is the spin-off of the International Telecommunications Satellite Organization (INTELSAT). This grant ensures continuity of service to those operators using the New Skies satellites prior to the transfer from INTELSAT and, provides domestic and international fixed satellite service in the United States via the New Skies satellites for the first time.

Second, ANIK. In the *ANIK Order*, the Bureau added two satellites operated by Telesat Canada, ANIK E1 at 111.1° W.L., and ANIK E2 at 107.3° W.L., to the "Permitted Space Station" list created in the Commission's *DISCO II First Reconsideration Order*. This was the first Order to add satellites to the Permitted Space Station list. This Order strengthened competition for certain fixed satellite services in the United States, by giving earth station operators two additional service provider options.

Third, TMI/SATCOM, In November as part of its on-going effort to increase competition the Commission granted two satellite companies, TMI Communications and Company, L.P. (TMI), a Canadian company, and SatCom Systems (SatCom), a U.S. company, blanket authority to operate mobile earth terminals to provide mobile satellite service in the United States using a Canadian-licensed satellite.

The Commission found that grant of the earth station applications was consistent with the market access policies and procedures established in the Commission's DISCO II Order, which implemented the U.S. satellite commitments under the World Trade Organization Agreements on Basic Telecommunications Services.

Our goal of increased competition has also led us to **promote DBS as a viable alternative to cable.**

FCC Approval of DBS Mergers and Streamlining of DBS Rules -- coupled with significant action by Congress to enable DBS to transmit local broadcast channels -- have made this the year of DBS.

Last year, the FCC approved DirecTV's acquisition of USSB and EchoStar's acquisition of the MCI/News Corp channels at 110 degrees. We approved DirecTV's acquisition of Primestar's assets at 119 degrees. These transactions have freed up the Primestar channels that were tied up for two years and put them into the hands of strong competitors, enabling DBS to emerge as a true competitor to cable in the MVPD market. Increased competition in the MVPD market will benefit consumers through improved product offerings at lower prices.

We have been equally pro-competition in **promoting the privatization of INTELSAT and INMARSAT.**

The International Telecommunications Satellite Organization (INTELSAT), an intergovernmental satellite organization (IGO), is a treaty-based organization with 143 member governments. In 1999, INTELSAT, in creating a spin-off company, New Skies, took the first step toward privatization. Since the creation of New Skies, INTELSAT has turned its attention to developing and implementing a comprehensive restructuring of the entire organization.

INTELSAT's various governing bodies committed in 1999 that INTELSAT would become a private corporation with a fiduciary board of directors replacing the current intergovernmental organization and will not have privileges and immunities. The INTELSAT Board of Governors will submit to the Assembly of Parties a comprehensive plan for privatization in November of this year. It is anticipated that this plan will be implemented in 2001.

As you know, Congress recently enacted the Open-Market Reorganization for the Betterment of International Telecommunications Act, or ORBIT. The ORBIT Act's purpose is to promote competition in the satellite services market by fully privatizing INTELSAT and Inmarsat. The Commission is committed to implementing the

requirements of the Act in the coming months through action on applications, including INTELSAT's application to be licensed in the United States for its operation of existing and planned satellites in the C and Ku bands. We also intend to initiate a rulemaking proceeding and to report to Congress as required by the legislation.

In August 1999, the Commission **authorized Level 3 direct access to the INTELSAT** satellite system for the first time, an action that will benefit U.S. consumers and industry. By authorizing direct access to INTELSAT, the Commission has enabled U.S. companies to compete on a level playing field with companies in 94 other countries that already allow direct access. Already, over 80 companies have applied for direct access. Competitive pressure will give such firms the incentive to pass on much of these savings to consumers. This in turn will lower the cost to end users of INTELSAT service from between 10 to 71 percent, meaning substantial savings to consumers who use those services.

Promoting competition in the international satellite services market was also the driving force behind the Commission's decision to approve the first stage of the proposed acquisition of **Comsat by Lockheed Martin**.

On September 15, 1999, the Commission approved the first phase of Lockheed Martin's planned acquisition of Comsat Corporation. Recently, Lockheed Martin applied to the Commission for review of the full merger, on which we expect to take action this summer.

Our belief in competition extends to the area of technical **standards**, in particular standards for third generation wireless services and equipment. The International Bureau has worked closely with industry to ensure that the standards work being conducted in the ITU and regional standards bodies will allow all technologies to compete on a level playing field. The FCC and its Executive Branch colleagues have worked cooperatively with counterparts in Europe and elsewhere to ensure that certain technologies are not favored through standards work or government regulations. The FCC believes that market forces should decide which technologies best serve consumers.

Lastly, competition is critically served by our work in the **spectrum** area.

Spectrum sharing is presents one of the biggest challenges in spectrum management today. It is key to meeting increased demand; yet it presents extremely difficult interference issues. We are seeing a troubling increase in interference today, and it affects policemen, ambulance crews, and firefighters, as well as consumers.

One solution is to improve the quality of receivers. In a perfect world, market forces alone would force improvements in receiver quality. But again, that works only if consumers get the information they need to make informed choices. For example, equipment manufacturers could adopt voluntary labeling indicating the interference to be expected when using a given receiver.

All segments of industry must also work together to seek technical solutions. In particular, technical solutions for terrestrial-satellite sharing are becoming more challenging at the very time when we are trying to rely on the marketplace to make these decisions.

We also need to explore better ways to license satellite systems. The current process simply takes too long. Although the global nature of some satellite services poses unique issues, all of our spectrum management tools should be available.

As the FCC's representative at regional and international spectrum-related meetings, the International Bureau's responsibilities extend globally. The FCC is currently finalizing its extensive **preparatory activities for the World Radiocommunication Conference**-2000, which begins in just under two weeks in Istanbul, Turkey.

The International Bureau will work to ensure that the United States protects its defense, space research and safety services at WRC-2000 and future conferences. At the same time, the Bureau will work ensure that service operators and equipment manufacturers have the necessary spectrum available to compete globally, and that spectrum is made available for new services.

At WRC-2000, the International Bureau will work as a part of the U.S. delegation to:
Protect the integrity of the Global Positioning System (GPS);
Agree on sharing criteria that will protect incumbent geostationary satellite orbit systems against harmful interference while allowing non-geostationary satellite orbit systems to enter the market;
Develop mechanisms for earth stations on U.S. Navy vessels and cruise ships to use in coordinating with terrestrial services on shore;
Establish agreement on sharing between the fixed service and fixed satellite service around 40 Gigahertz while safeguarding Radio Astronomy above; and
Examine requests for additional spectrum for International Mobile Telecommunications-2000, also known as 3rd Generation Wireless.

IV. Looking Ahead

So our agenda for 2000 is quite ambitious. Again, applying the ABC's of Chairman Kennard's agenda, the International Bureau will redouble its efforts to:

Promote Universal Access – through the Chairman's Development Initiative;
through vigorous enforcement of our benchmarks policy in order to bring about lower calling prices for consumers around the globe; and through continued streamlining of our rules in order to make it easier to bring new services to the marketplace.

We will continue our efforts to get broadband to consumers around the world by – increasing capacity and facilitating the deployment of new services;

And we will promote competition by continuing to champion the faithful implementation of the WTO Agreement both at home and abroad; by promoting pro-competitive privatization of the intergovernmental organizations; by ensuring an open and transparent standards process; and by ensuring that spectrum is made available on a competitive basis for new entrants and new technologies.

I look forward to continuing to work with you this year and beyond to make sure that we have a successful international agenda.

Thank You.